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AUDITOR-CONTROLLER

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January 8, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **WATTS LABOR COMMUNITY ACTION COMMITTEE CONTRACT – A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Watts Labor Community Action Committee (WLCAC or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with WLCAC, a private non-profit agency to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. WLCAC is located in the Second District.

WLCAC is compensated on a cost reimbursement basis. WLCAC's contract is for \$83,201 for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether WLCAC complied with its contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County

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guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

Overall, WLCAC provided the program services to eligible participants and the Agency maintained sufficient internal controls over its business operations. However, WLCAC billed CSS \$900 for unsupported program expenditures. In addition, WLCAC did not always comply with WIA and County contract requirements. For example, WLCAC did not always complete the Individual Service Strategy plans or meet with participants on a monthly basis as required. In addition, WLCAC did not obtain the required automobile liability insurance or ensure their facility underwent a fire inspection.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with WLCAC and CSS on October 30, 2007. In their attached response, WLCAC concurred with our findings and recommendations.

We thank WLCAC for their cooperation and assistance during this review. We will follow up on our recommendations during next year's review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
- Cynthia Banks, Director, Department of Community and Senior Services
- Timothy Watkins, President and CEO, Watts Labor Community Action Committee
- Public Information Office
- Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
WATTS LABOR COMMUNITY ACTION COMMITTEE
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Watts Labor Community Action Committee (WLCAC or Agency) provided services to individuals that met the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (40%) of the 25 program participants that received services from January 2007 to September 2007 for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA Youth Program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (40%) participants that received services from January to September 2007. We also interviewed two program participants.

Results

The two participants interviewed stated that the services they received met their expectations. However, WLCAC did not always comply with WIA guidelines. Specifically, WLCAC did not:

- Report one participant's program activities on the Job Training Automation (JTA) system as required. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted in the prior year's monitoring report.
- Complete the Interests and Skills section of the Individual Service Strategy (ISS) plan for one (10%) of the ten participants sampled. The ISS plan is a comprehensive on-going plan jointly developed by the participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals.
- Discuss with two youth participants their ISS plans on a monthly basis as required.

Recommendations

WLCAC Management:

1. **Ensure that staff update the Job Training Automation system to reflect the participants' program activities.**
2. **Ensure that staff complete Individual Service Strategy plans.**
3. **Ensure that staff discuss Individual Service Strategy plans with the participants on a monthly basis.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's July 2007 bank reconciliation.

Results

WLCAC maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation to support six non-payroll expenditure transactions billed by the Agency for July 2007, totaling \$470.

Results

WLCAC's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as, expenditures, payroll and personnel.

Results

Generally, WLCAC maintained sufficient internal controls over its business operations. However, WLCAC did not always comply with WIA and County contract requirements. Specifically:

- WLCAC did not obtain automobile liability insurance. A similar finding was noted in the prior year's monitoring report.
- WLCAC did not obtain a fire inspection.
- WLCAC's personnel policies and procedures manual did not include a policy on Child Abuse Prevention Reporting. The County contract requires all employees, consultants and agents performing services under this contract to immediately report child abuse and sign a statement that he or she knows of the reporting requirements and will comply with them.
- WLCAC's procurement policies and procedures manual requires only two price quotes for purchases over \$1,000. However, WIA guidelines require that a minimum of three price quotes be obtained and documented for purchases over \$1,000. This finding was also noted in the prior two years' monitoring reviews.

Subsequent to our review, WLCAC revised the Agency's procurement policies and procedures manual to comply with WIA guidelines. In addition, WLCAC obtained a fire inspection. However, a violation was noted during the inspection that WLCAC needed to correct.

Recommendations

WLCAC management:

4. **Obtain the required level of insurance coverage.**
5. **Ensure that the fire inspection violation is corrected as instructed by the Fire Department.**
6. **Ensure that the Agency's personnel manual is in compliance with regulatory guidelines and distributed to personnel.**
7. **Ensure that staff comply with the Agency's revised procurement policies and procedures.**

FIXED ASSETS AND EQUIPMENT

The objective of this section is to determine whether WLCAC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as WLCAC did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for three employees totaling \$2,879 for August 2007 to the Agency's payroll records and time reports. We also interviewed one employee and reviewed the personnel files for three employees assigned to the WIA program.

Results

WLCAC appropriately charged payroll expenditures to the WIA program. However, WLCAC did not:

- Maintain proof of citizenship for one (33%) of the three employees.
- Maintain a signed Employee Acknowledgement and Confidentiality Agreements for two (67%) of the three employees assigned to the WIA program.
- Conduct an annual performance evaluation for one (33%) of the three employees.

Similar findings were noted in the prior two years' monitoring reports. Subsequent to our review, WLCAC provided proof of citizenship, copies of the signed Employee Acknowledgement and Confidentiality Agreements and a copy of a current performance evaluation for the employees noted above.

Recommendations**WLCAC management:**

8. **Ensure that required documentation is maintained in the employees' personnel files including proof of citizenship and signed Employee Acknowledgement and Confidentiality Agreements.**
9. **Conduct annual performance evaluations.**

COST ALLOCATION PLAN**Objective**

Determine whether the Agency's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

WLCAC's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations in this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciles to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2006-07 general ledger to their final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2006.

Results

WLCAC's FY 2006-07 final close-out invoice reconciled to the Agency's FY 2006-07 general ledger. However, WLCAC did not maintain adequate documentation, such as receipts, invoices, cancelled checks and other documentation to support expenditures, totaling \$1,160.

Subsequent to our review, WLCAC provided additional documentation to support \$260 of the \$1,160 unsupported expenditures.

Recommendations**WLCAC management:**

10. Repay \$900 (\$1,160 - \$260).
11. Ensure that adequate documentation is maintained to support program expenditures.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on June 5, 2007.

Results

The prior year's monitoring report contained 11 recommendations. At the time of our review in September 2007, WLCAC implement six recommendations. As previously indicated, the findings related to Recommendations 1, 4, 6, 8 and 9 were also noted in our prior year's monitoring review. WLCAC management indicated that the outstanding recommendations will be implemented in FY 2007-08.

Recommendation

12. WLCAC management implement the outstanding recommendations addressed in this report.



WATTS LABOR COMMUNITY ACTION COMMITTEE

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1965-1993

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PAUL SCHRADER
UNION ORGANIZER
SHAMUKA SHOULDERS
COMMUNITY ADVOCATE
LILLIAN MOBLEY
COMMUNITY ADVOCATE

TRUSTEE EMERITI:
BERNICE WATKINS
ELIZABETH "PAT" EASTMAN

November 19, 2007

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Dept. of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Re: Watts Labor Community Action Committee Contract – A Community and Senior Services Workforce Investment Act Program Provider.

Dear Mr. McCauley:

Enclosed is WLCAC's response to the County of Los Angeles Department of Auditor-Controller's letter dated November 08, 2007.

The information provided is based on your sample draft fiscal and administrative contract review of Watts Labor Community Action Committee, A Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Should you have any question please don't hesitate to contact me. I can be reached by phone at (323) 563-5646, or via email at mjohnson@wlcac.org.

Sincerely,

A handwritten signature in dark ink, appearing to read 'McKinley Johnson', is written over a horizontal line.

McKinley Johnson, Financial Manager
Watts Labor Community Action Committee
10950 S. Central
Los Angeles, CA 90059

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CORRECTIVE ACTION PLAN/RESPONSES

Area (Issue/Action)	Recommendations/Response	Responsibility	Time Frame
BILLED SERVICES/CLIENT VERIFICATION: Objective Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services. Verification We reviewed the documentation contained in the case files for ten (40%) participants that received services from January 2007 to September 2007. We also interviewed two program participants. Results The two participants interviewed stated the services the participants received met their expectations. However, WLCAC did not always comply with WIA guidelines. Specifically, WLCAC did not: <ul style="list-style-type: none"> - Report one participant's program activities on the Job Training Automation (JTA) system as required. - Complete the Interests and Skills sections of the Individual Service Strategy (ISS) for one (10%) of the ten participants sampled. The ISS plan is a comprehensive on-going plan jointly developed by the participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals. - Discuss with two youth participants their ISS plans on a monthly basis as required. 	Recommendations WLCAC management: 1. Ensure that staff updates the JTA system to reflect the participants' program activities. 2. Ensure that staff complete ISS plans. 3. Ensure that staff discusses ISS plans with the participants on a monthly basis. Response The JTA System has been updated to reflect the participant's activities. WLCAC is experiencing technological issues with the software prescribed by The County of Los Angeles. We anticipate resolving it soon. The Case Manager of the program will perform a 100% file review to ensure that the ISS are completed and will be discussing and updating it on a monthly basis.	Program Director Program Coordinator Technology Supervisor	Ongoing

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CORRECTIVE ACTION PLAN/RESPONSES

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INTERNAL CONTROLS/CONTRACT COMPLIANCE:			
Objective Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.	Recommendations WLCAC management: 4. Obtain the required level of insurance coverage. Ensure that the fire inspection violation is corrected as instructed by the Fire Department. 6. Ensure that the Agency's personnel manual is in compliance with regulatory guidelines and distributed to personnel. 7. Ensure that staffs comply with the Agency's revised procurement policies and procedures.		
Verification We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.			
Results Generally, WLCAC maintained sufficient internal controls over its business operations. However, WLCAC did not always comply with WIA and County contract requirements. Specifically: <ul style="list-style-type: none"> - WLCAC did not obtain Automobile Liability insurance policy. Similar findings were also noted in the prior year's monitoring report - WLCAC did not obtain a fire inspection. - WLCAC's personnel policies and procedures manual did not include a policy on Child Abuse Prevention Reporting. The County contract requires all employees, consultants and agents performing services under this contract to immediately report child abuse and sign a statement that he or she knows of the reporting requirements and will comply with them. - WLCAC's procurement policies and procedures manual requires only two price quotes for purchase over \$1,000. However, WIA guidelines require that a minimum of three price quotes be obtained and documented for purchases over \$1,000. This finding was also noted in the prior two years' monitoring reviews. Subsequent to our review, WLCAC revised the Agency's procurement policies and procedures manual to comply with WIA guidelines. In addition, WLCAC obtained a fire inspection. However, WLCAC was instructed to correct a violation noted during the inspection.	Response WLCAC has taken the necessary steps to ensure that we are in compliance with all contract provision and recommendation. Thus WLCAC has obtained estimates from Pacific Fire Alarm and Control to correct the violation noted during your inspection.		

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<u>PAYROLL AND PERSONNEL:</u> Objective Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required. Verification We traced the payroll expenditures invoiced for three employees totaling \$2,879 for August 2007 to the Agency's payroll records and time reports. We also interviewed one employee and reviewed the personnel files for three employees assigned to the WIA program. Results WLCAC appropriately charged payroll expenditures to the WIA program. However, WLCAC did not: <ul style="list-style-type: none"> - Maintain proof of citizenship for one (33%) of the three employees. - Maintain a signed Employee Acknowledgement and Confidentiality Agreement for two (67%) of the three employees assigned to the WIA program. - Conduct the annual performance evaluation for one (33%) of the three employees. Similar findings were noted in the prior two-year's monitoring report. Subsequent to our review, WLCAC provided proof of citizenship, copies of the signed Employee Acknowledgement and Confidentiality Agreement and a copy of a current performance evaluation for the employees noted above.	Recommendations WLCAC management: 8. Ensure that required documentation is maintained in the employees' personnel files. 9. Conduct annual performance evaluations. Response: WLCAC maintains two sets of employee's files one in Human Resource and the other at the Program site. The documents that were sited as missing from the HR files as well as evaluation have been submitted for inclusion. WLCAC will continue to perform a yearly staff evaluation.		

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CORRECTIVE ACTION PLAN/RESPONSES

Area (Issue/Action)	Response	Responsibility	Time Frame
<p><u>CLOSE-OUT REVIEW</u></p> <p>Objective Determine whether the Agency's Fiscal Year (FY) 2006-07 final closeout invoice reconciles to the Agency's financial accounting records.</p> <p>Verification We traced the Agency's FY 2006-07 general ledger to their final closeout invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2006.</p> <p>Results WLCAC's FY 2006-07 final closeout invoice reconciled to the Agency's FY 2006-07 general ledger. However, WLCAC did not maintain adequate documentation such as receipts, invoices, cancelled checks and other documentation to support expenditures, totaling \$1,160.</p> <p>Subsequent to our review, WLCAC provided additional documentation to support \$260 of the \$1,160 unsupported expenditures</p>	<p>Recommendations WLCAC management: 10. Repay \$900. 11. Ensure that adequate documentation is maintained to support program expenditures.</p> <p>Response A check for \$900.00 made payable to the County of Los Angeles Department of Community Senior Services, per your instructions, and was mailed out on October 30, 2007.</p>		
<p><u>PRIOR YEAR FOLLOW-UP</u></p> <p>Objective Determine the status of the recommendation reported in the prior monitoring review completed by the Auditor-Controller.</p> <p>Verification We verified whether the outstanding recommendations from PY 2006-07 monitoring review were implemented. The report was issued on June 5, 2007.</p> <p>Results The prior year's monitoring report contained 11 recommendations. At the time of our review in September 2007, WLCAC implement six recommendations. As previously indicated, the findings related to Recommendations 1, 4, 6, 8 and 9 were also noted in our prior year's monitoring review. WLCAC management indicated that the outstanding recommendations will be implemented in FY 2007-08.</p>	<p>Recommendations WLCAC management: 12. WLCAC management implement the outstanding recommendations addressed in this report.</p> <p>Response WLCAC will concur with your recommendation.</p>		

WLCAC Corrective Action November 2007